

**Bolsover District Council**

**Meeting of the Executive on 11th September 2023**

**BOLSOVER HOMES SCHEME– PARK LANE PINXTON**

**Report of the Portfolio Holder for Housing**

|                        |   |
|------------------------|---|
| <b>Classification</b>  | Open  |
| <b>Contact Officer</b> | Steve Brunt<br>Strategic Director of Services |

**PURPOSE/SUMMARY OF REPORT**

To seek approval to allow Dragonfly Development Limited to deliver the Park Lane, Pinxton scheme using the existing Bolsover Homes budget.

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**REPORT DETAILS**

**1. Background**

Bolsover Homes

- 1.1 As members of Executive will be aware the previous programme of residential developments across the district, B@Home, ended in 2019. To build on this success a new framework, Bolsover Homes was brought forward by the former Development Directorate to meet social housing need and deliver the aims and objectives of the Council.
- 1.2 Dragonfly Development Limited has directly employed staff into its New Builds department in the roles of Operations Manager, Preconstruction Manager, Project Manager, Quantity Surveyor, Site Manager, Quality Manager and Business Support Officer. Whiteley Eaves continue to undertake the professional roles of External Quantity Surveyor, Principal Designer and Managing Agent and William Saunders Partnership continue as architects.
- 1.3 A design team has been formed consisting of Members, Architects, Engineers, Principal Designer, and officers from BDC Housing and the Dragonfly Development Limited New Builds team to assess the available sites, demand and timescales to bring a programme of suitable developments forward.
- 1.4 In order to allocate finance and give clear information regarding future schemes, and to compliment the Bolsover Homes Council Report approved by Council in July 2020, a brochure was compiled and shared with all Members to illustrate the pipeline of Bolsover Homes schemes. The schemes ranged from the Whitwell

cluster which had planning permission to other sites that had not been looked at in any detail. The document outlined the standards the properties were to be built to and gave estimated costs to deliver the schemes in the document.

- 1.5 Having reviewed the documents the Council agreed to allocate capital funds of £36.2m to deliver Bolsover Homes schemes but stipulated that a report was required to be brought for each scheme to the Executive when planning permission had been awarded, viability study presented, external value statement received and costs agreed. Only once agreed could contracts for scheme/s be entered into.
- 1.6 Members have already approved the construction or purchase of 148 new Council properties in Whitwell, Whaley Thorns, Clowne, Creswell, Bolsover, South Normanton, Shirebrook, Glapwell and Pinxton some of which are completed and others are currently under construction. Part of BDC's ambition is to develop the affordable housing scheme at Park Lane, Pinxton ("Park Lane").
- 1.7 Part of BDC's ambition is to develop the affordable housing scheme at Park Lane, Pinxton ("Park Lane"). However, this site was not included within the Bolsover Homes work programme when agreed by the Council in July 2020. In addition the land was transferred to Dragonfly Development Limited in 2019 in anticipation of an open market housing scheme. In order to develop the land as part of the Bolsover Homes scheme this will need to be agreed by the Council. Also Dragonfly Development will need to transfer the land back to the Council.

## **2. Details of Proposal or Information**

### Previous unviability of Park Lane

- 2.1 In 2018 Park Lane received planning permission for 10 new dwellings. It was intended that once these properties were built, they would be sold on the private market. High abnormal costs including the costs of dealing with a sloping site and the legacy of coal mining in the area were then identified, rendering private sale and social/affordable rental, unviable.

### Modern methods of construction which could assist with viability

- 2.2 Recently, it has been possible to theoretically demonstrate that the site could become more viable by constructing with a pioneering superstructure together with cheaper more efficient foundations.
- 2.3 The proposed superstructure uses a modern method of modular construction – Hus, which is constructed off site and so reduces time having to be spent on site which then reduces costs. This method of construction will: achieve better than net zero carbon emissions over the lifetime of the development, ensure that the properties will not be susceptible to damp and mould due to their positive input ventilation, and significantly reduce the energy costs of the tenants who live in these new homes (see **Appendix 1** for a brochure explaining about the Hus superstructure).
- 2.4 In order to assess whether a cheaper more efficient foundation solution can be used, engineers have been employed to carry out the necessary calculations. Foundations need to be laid very accurately with very small error tolerances,

otherwise the superstructure will not rest correctly when craned into place. In order to reduce financial risks to Dragonfly and the Council, the foundation and superstructure contract will be let to Hus, eliminating any contractual issues relating to foundation installation. The costs included for foundation are for the worst-case scenario. If the Modified Foundations are proven to work these will be used and the cost saving passed back to the Council.

- 2.5 If successful this new sub and superstructure method could help with viability of the smaller sites, including garages sites, in the Council's ownership.

#### D2N2 and Homes England funding could further reduce the viability gap

- 2.6 Unlike other Bolsover Homes schemes the use of the Hus superstructure on this site could make it eligible for D2N2 funding. This is because there are associated benefits that using this method of construction might bring to the region in terms of job creation – If suitable volumes of new properties can be identified, a new factory would be built to produce the homes, accelerating housing development and reducing impacts on the environment.
- 2.7 The Council has therefore submitted a bid to D2N2 for £700,000 to partially fund the ground remediation element of the scheme. If D2N2 funding is granted this will be on the proviso that the scheme will be completed by December 2024. If the scheme cannot be completed by December 2024 the D2N2 funding could be jeopardised.
- 2.8 In addition, a preliminary bid has been submitted to Homes England for £330,000 in respect of grant allocation for the superstructure but it is not yet known whether each funder will allow the other's funding on the same scheme.

#### New solution layout

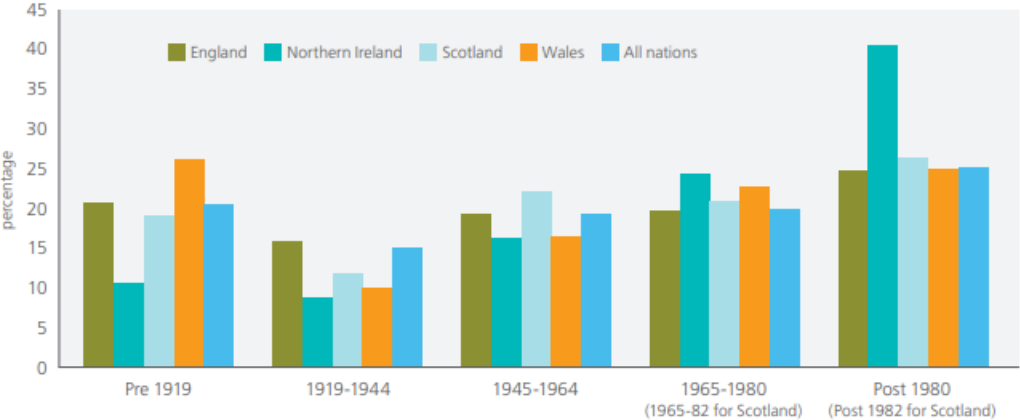
- 2.9 The new solution has a more effective layout that will deliver 11 much needed social/affordable rental properties comprising 4 two-bedroom houses and 7 three-bedroom houses, all built to Nationally Designed Space Standards. The layout is shown in **Appendix 2**. As this is a new layout with more properties an application for planning permission will have to be submitted. It is reasonably expected that planning permission will be granted. If approval is not granted the scheme would not be able to proceed.
- 2.10 The properties will be designed to the principles of lifetime homes and places for people and built to a high standard of quality to enhance the area. BDC's Housing Management Service has confirmed that there is a need for good quality two and three bedroom rented property within Pinxton and that the scheme would be acceptable to them.

#### Financial Implications

- 2.11 To give Members an indication of the whole-life financial implications of a capital scheme, we use a spreadsheet model developed over a number of years. The model is based on assumptions made at a point in time so will never be 100% accurate, but it is an estimate of future costs and income streams for the Housing Revenue Account (HRA).

- 2.12 Inputs to the model are initial capital build costs; the ongoing revenue costs such as supervision and management; the rental income receivable and the borrowing costs associated with financing the capital scheme.
- 2.13 This is then spread over a 50-year period, being the maximum period the Council is allowed to borrow funds from the Public Works Loan Board over, and also the maximum number of years our properties can be depreciated over, under current accounting regulations.
- 2.14 Generally, when the scheme makes a positive contribution to the Housing Revenue Account overall, i.e. when rental income is greater than the costs to the HRA including the interest on the borrowing, it is considered that the scheme has paid for itself although at this stage the principal amount borrowed has often not yet been repaid and it can take a number of years before the whole of the initial capital cost has been recouped.
- 2.15 As long as the HRA remains sustainable and can therefore afford to continue paying the associated borrowing costs of a scheme, there is no reason why a scheme making a positive contribution to the HRA, that takes longer than 50-years to recoup the initial outlay, shouldn't be undertaken. The sustainability of the HRA must be considered in light of all borrowing costs from this and previous capital schemes, not just the scheme being appraised and considered.
- 2.16 25% of properties in the Council's current housing stock are over 100 years old and still earning rental income while 58% of the stock is between 50 and 100 years old. As you can see from the paragraphs above, this income is not factored into the spreadsheet model but is still being received.
- 2.17 The graph below shows the age of properties in the UK. This shows that more than 50% of the housing stock in the UK is over 50 years old, which highlights why the model should be used as a guide but not in isolation.

Figure 2.3 Dwelling age by UK nations, 2017



- 2.18 The financial appraisal for the construction of the 11 properties is summarised in the following table. As no external funding has yet been confirmed, to be prudent, this summary uses the gross cost and doesn't include any external grant income.

|  |            |
|--|------------|
| <b>Year 1 initial outlay and net cost</b>      | 11 Houses  |
|  | £ millions |
| Total build costs                              | 3.100      |
| Assumed net income in year 1                   | (0.070)    |
| Assumed net cost in year 1 excluding principal | 0.159      |
| Net Cost to HRA in year 1                      | 0.089      |

- 2.19 The table above shows an indicative net cost to the HRA for year 1 following scheme completion. Net income and net cost increase each year with inflation until gradually the income exceeds the cost. This scheme takes longer than 50 years to fully recoup the initial capital cost. However, by year 33 of the scheme being completed the scheme makes a positive contribution to the HRA as described in paragraph 2.14, subject to all 11 houses still being within the Council's housing stock, as they will be subject to 'right to buy' legislation.
- 2.20 If the funding sought from Homes England or D2N2 was successful, this would reduce the amount of initial borrowing undertaken by the Council and therefore the cost to the Housing Revenue Account each year. The time taken for the schemes to recoup the initial capital cost and make a positive contribution to the HRA would also be reduced considerably.
- 2.21 Costs to build the scheme are estimated at £3,100,000. It is proposed that the scheme be allowed to proceed, subject to planning permission, engineering capability, and funding. If the scheme costs exceed this amount by more than 3% (£93k) a further report would be taken to the Executive explaining the reason and asking for an adjusted overall budget. Contract costs are being vetted by Whitely Eaves (the Council's procured external Quantity Surveyor for Bolsover Homes) and a market competitiveness statement is expected within the next few weeks in relation to this scheme.

### Design and site constraints

- 2.22 The ground conditions on site require more expensive foundations than a clear unincumbered site and remediation issues which increase construction costs.

## **3. Reasons for Recommendations**

- 3.1 To try to find solutions to the growing demand for affordable housing.
- 3.2 To build on the work done on the future homes model and keeping Bolsover in front of the curve.
- 3.3 To ensure the D2N2 funding opportunity isn't lost.
- 3.4 To help the Council to transition to net zero by 2050 through decarbonisation of its housing stock.

- 3.5 To trial the use of this modern method of construction which if proved successful could be a trail blazer for future schemes in the UK and could be used to make the Council's smaller sites less expensive.

#### **4 Alternative Options and Reasons for Rejection**

- 4.1 Executive could choose not to support the development but this would not help to achieve the Council's agreed ambition of building affordable housing properties and would leave a stalled site at Pinxton which in the future might not be able to attract the levels of funding that are possible at present. More specifically this would not help to meet the current demand for affordable housing in Pinxton.
- 4.2 Executive could choose to delay its decision until planning permission had been achieved. As above this could impact funding the D2N2 award.

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#### **RECOMMENDATION(S)**

1. That Executive approve Dragonfly Development Limited as contractor to construct the 11 new homes at Park Lane, Pinxton as described in the report using a budget of £3,100,000 from the Bolsover Homes budget, supplemented with funding, subject to the following being achieved:
  - D2N2 funding being granted
  - Planning permission being granted
  - A market competitiveness statement in respect of the construction costs
  - A report to Council as mentioned in recommendation 2.
2. That a report be submitted to Council to update the schemes included in the Bolsover Homes pipeline funding envelope of £36.2m for this Park Lane, Pinxton scheme which is currently not included.

Approved by Councillor Sandra Peake, Portfolio Holder for Housing

#### **IMPLICATIONS.**

**Finance and Risk:**            Yes             No

**Details:**

Covered in paragraphs 2.11 – 2.21 of the report.

On behalf of the Section 151 Officer

**Legal (including Data Protection):**            Yes             No

**Details:**

The Council will need to enter into a formal contract with Dragonfly Development Limited.

Dragonfly will need to transfer the Park Lane, Pinxton lands back to the Council

On behalf of the Solicitor to the Council

**Environment:**

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

**Details:**

The homes that are to be built in this scheme will achieve better than net zero carbon emissions over the lifetime of the development, thus helping the district to transition to net zero by 2050 through decarbonisation of its housing stock.

**Staffing:** Yes  No

**Details:**

There are no direct staffing implications arising from this report. All staff are in place to deliver the schemes.

On behalf of the Head of Paid Service

**DECISION INFORMATION**

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|---|-----|
| <p><b>Is the decision a Key Decision?</b><br/>A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p><b>Revenue - £75,000</b> <input type="checkbox"/> <b>Capital - £150,000</b> <input checked="" type="checkbox"/><br/><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p> | Yes |
| <p><b>Is the decision subject to Call-In?</b><br/><i>(Only Key Decisions are subject to Call-In)</i></p>  | Yes |

|  |          |
|--|----------|
| <p><b>District Wards Significantly Affected</b></p>  | Pinxton  |
| <p><b>Consultation:</b><br/><b>Leader / Deputy Leader</b> <input type="checkbox"/> <b>Executive</b> <input type="checkbox"/><br/><b>SLT</b> <input type="checkbox"/> <b>Relevant Service Manager</b> <input type="checkbox"/><br/><b>Members</b> <input type="checkbox"/> <b>Public</b> <input type="checkbox"/> <b>Other</b> <input type="checkbox"/></p> | Details: |

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| <p><b>Links to Council Ambition: Customers, Economy and Environment.</b></p>                   |
| <p>Council Ambition – deliver a minimum of 150 new Council properties by March 2024 ECO-07</p> |

| <b>DOCUMENT INFORMATION</b> |                             |
|-----------------------------|-----------------------------|
| <b>Appendix No</b>          | <b>Title</b>                |
| 1                           | Hus superstructure brochure |
| 2                           | Site layout                 |

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| <b>Background Papers</b>  |
| <i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive, you must provide copies of the background papers).</i> |
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